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AQUATONE

8 June 1956

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: GEHA

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1. The Board of Directors of GEHA through official resolutions have moved that only true staff employees and staff agents be accepted for GEHA insurance and that the Board desires the policies already issued to other types of personnel be handled through "appropriate operational procedures." While not so specified, this Board action is directed at the policies issued to a special group employed by the Agency to carry out the operational aspects of Project AQUATONE. Apparently the thought behind the Board action is that the AQUATONE group is undertaking unusually hazardous duties and consequently there is a possibility of substantial insurance claims which may constitute a detriment to the other policy holders, either through reduction of rebates or an increase in rates. Tied with this thought is the fact that the AQUATONE group were recruited and employed specifically for this one Project and upon its completion will return to their previous status outside the Agency. Therefore, as we see it, the Board feels that such a temporary group are not "true" staff employees and, therefore, should not be eligible for the GEHA benefits.

2. Presumably the Board's desire to have a situation of this sort handled through appropriate operational procedures means that any insurance or other benefits should be underwritten directly out of official funds available to the Agency. The Board's action is in the form of a motion and technically does not, I believe, affect the current status of the AQUATONE group. While the Board has authority to reject applications for GEHA membership, it does not have any power to revoke membership once obtained. Furthermore, the action refers to "true" staff employment. I have no difficulty in concluding that the AQUATONE group, who have volunteered for an unusually important intelligence mission at great risk to themselves,

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are employees of the Agency and entitled to all the benefits any other Agency employee could acquire. In this regard it should be noted that the alternative suggested of provision of benefits directly out of official funds would impair an employee's entitlement under the Federal Employees Compensation Act, which is one of the most valuable protections available to the AQUATONE group.

3. The Board's action does, however, raise a question of the basic philosophy involved in the creation of the GEHA insurance program. On 8 May 1953 the Executive Secretary of the CIA Career Service Board reported to the Career Service Board a proposal for carrying out the decision to institute an insurance study. It was emphasized that this decision was taken simultaneously with the decision not to recommend a hazardous duty pay program. Paragraph 2.g. specifically states, "There is no question that there are risks and hazards connected with certain activities conducted by CIA. The policy decision taken by the Board was that these risks should be covered by insurance if possible rather than by incentive or hazardous duty pay." In a draft, dated 19 May 1953, of a report from the Insurance Task Force to the Career Service Board, paragraph 2 states, "At this stage it appears that the most poignant interest of the Agency in insurance matters lies in the field of risks or hazard in the carrying out of missions. These risks are variable in kind and in time. It also appears only basic justice to consider if there be some compensatory insurance aspects." The final report of the Insurance Task Force forwarded to the Director 20 July 1954 repeatedly points out how normal commercial insurance does not provide coverage for Agency employees under various conditions. Tab B to that report in paragraph 1a(2) specifies the risks of Agency hazardous and semi-hazardous duty not covered by ordinary life policies. The Constitution and By-laws of GEHA, Inc. provide that any employee of CIA may become a member of the corporation, Article III, Section 1. Section 2 of Article III then provides that the Directors are authorized to accept or reject any application.

4. Agency Notice which established the GEHA insurance plan, specifically recognizes the concepts discussed above. In paragraph 1.b. it points out that the Agency has developed these insurance programs in order to provide employees with better benefits and to avoid the hazardous duty and security problems

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encountered in normal commercial insurance. It points out that GEHA is a nonprofit organization made up entirely of Agency personnel and points out in paragraph 2. a. that the new term life insurance may be purchased by members of GEHA who are staff employees, staff agents, or contract employees, or who are civilian or military personnel detailed to the Agency.

5. Since GEHA was created to serve Agency purposes, the Board's action on acceptance or rejection must be consistent with Agency policy and needs. I believe it is clearly Agency policy to do everything in its power to provide the best benefits possible for employees, particularly those engaged in dangerous intelligence activities. It certainly is a need of the Agency, as one of the primary incentives to volunteers for dangerous missions is the knowledge that their families will have the best possible financial security. At this time the best arrangements we have been able to make have been the combination of benefits of the Federal Employees Compensation Act and the insurance program worked out with GEHA, which eliminates the exceptions normal to most commercial insurance. I see nothing in the background or concept of GEHA which would eliminate employees appointed for the purposes of a special project who presumably would return to their previous employment on liquidation of the project. In this connection, it should be noted that the Director on 20 March 1956 specifically authorized that the AQUATONE personnel in question be appointed by the Director of Personnel for the purposes of Project AQUATONE only so that they would qualify under the provisions of the Federal Employees Group Life Insurance Program.

6. If the capabilities required for AQUATONE had existed in the Agency and the group had, therefore, volunteered from personnel already employed, I believe there would be no thought of eliminating them from the insurance program. I can see no rationale to distinguish such a situation from that which exists when a group are asked to serve their country through employment by this Agency on a dangerous mission. I recommend that the Agency policies in this regard be made specific for the guidance of the Board of Directors of GEHA.


LAWRENCE R. HOUSTON
General Counsel

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cc: Personnel Office

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